The MORTGAGE BANKER

VOL. 6 — No. 11 AUGUST, 1946

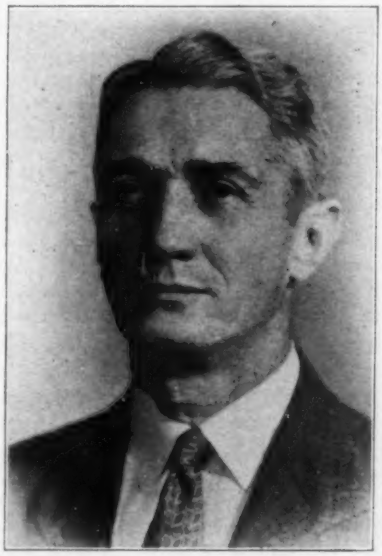
Guy T. O. Hollyday Nominated for 1946-47 MBA President
John C. Thompson is Nominated for Vice President

GUY T. O. Hollyday, president of the Title Guarantee and Trust Company, Baltimore, has been nominated for president of MBA for the 1946-47 term to succeed Byron V. Kanaley of Chicago, A. D. Fraser of Cleveland, chairman of the Association's nominating committee, announced at the June Board of Governors meeting in Chicago.

John C. Thompson was nominated for vice president. He is president of the New Jersey Realty Co. and New Jersey Realty Title Insurance Company of Newark. Other members of the nominating committee include Sen. Frank L. Wilkinson, Kansas City; Frederick P. Champ, Logan, Utah; W. L. King, Washington, D. C.; and Joseph M. Miller, New Orleans.

Mr. Hollyday has long been active in the Association's affairs and is director of Randall H. Hagner & Company, Inc., Savings Bank of Baltimore, Loyola Federal Savings and Loan Association and various real estate companies in Baltimore. He is a trustee of the Citizens Planning and Housing Association of Baltimore, a director of the Council of Churches of Maryland and Delaware and a vestryman of the Church of the Redeemer. He is a past president of the Real Estate Board of Baltimore and former chairman of the Home Builders Division of the National Association of Real Estate Boards. He was educated at the Boys Latin School in Baltimore and received a B. A. degree from Johns Hopkins University.

1946-47 Presidential Nominee



GUY T. O. HOLLYDAY

1945-46 MBA President

BYRON V. KANALEY

For Vice President 1946-47

JOHN C. THOMPSON

During the first World War he was a first lieutenant, machine gun troop, 11th U. S. Cavalry. During the last war he was the senior patrol officer of the Baltimore regiment of the Coast Guard. His hobby is trout fishing.

The June board meeting was marked by full discussions of all the principal problems now confronting the mortgage industry.

L. A. McLean of Louisville, a past president of the Association, spoke on the great dangers in the present real estate and lending market, declaring that it is the duty and responsibility of every mortgage lender to watch the trend carefully and make every effort to see that veterans do not commit themselves for property at such abnormal prices that they will face trouble later.

The last address of the day was by John Scott, Pittsburgh mortgage banker, who spoke on the problems of business men traveling in Europe at this time. He recently returned from a business trip to England and the Continent.

"An American business man's business day in Europe is now only 40 per cent of normal because the other 60 per cent is spent in arranging for food, hotel accommodations and getting passes to go from this place to that," he said. "If you're thinking of going to Europe—don't.

"The British are in very bad shape and need help badly. We have got to help them.

"The food in Europe is terrible until you get in some of the rural districts." The best food he found, he said, was in Carinthia province in small settlements isolated from the main streams of traffic.

Thirty-four attended the meeting which was held in the Palmer House after being originally scheduled for the LaSalle Hotel. Invitees included William G. Nelson, Chicago, W. E. Miller, Cleveland, and Harry C. Peiker, New York. Members heard reports by the chairmen of the FHA, Federal Legislative, Washington, Clinic and Education, Constitution and By-Laws, Finance, Membership, Nominating and 1946 Convention Committees. The report of the Ways and Means Committee was deferred until the next board meeting.

MBA 1946 DIRECTORY OF MEMBERS BEING MAILED

MBA's new 1946 *Directory* listing all member firms and a description of their business is off the press and being mailed out as quickly as possible. With more than 200 pages, the *Directory* also contains a table showing the types of loans made by our insurance companies and is indexed by name of firm.

The *Directory* is becoming more important every year. Hardly a day passes in the national office when some evidence of its importance to members isn't noticed. Few members, we imagine, realize that this is the only publication of its kind, the only directory of mortgage lenders anywhere and, further, that outsiders are coming to regard it as a sort of "official" list of who's who in mortgage lending. Our suggestion is that you keep your copy close at hand because when you need it, it will prove an invaluable guide to who is in the mortgage business in most communities.

INSURANCE NOTES

Mutual Life of New York sprung a surprise when it announced that policy loan interest rates will be reduced September 1.

The new rates will be 5 per cent on the first $750 of loan; 4 per cent on the next $750 and 3 per cent on all sums in excess of $1,500. They compare with a flat rate of 6 per cent called for under most of the company's policies and a flat rate of 5 per cent on policies issued by the company between 1899 and 1913.

The company's studies indicate that by lowering the policy loan rates it should be able to increase the policy loan business sufficiently to provide a greater investment income than is now received under the higher rates.

And speaking of greater investment income, M. J. Cleary, president of Northwestern Mutual, had something to say the other day on the subject in his report to trustees.

"Finding satisfactory outlets for money to be invested continues as a major problem of life insurance companies," Mr. Cleary said. "Business and institutional property loans are scarce because of building restrictions."

People and Events

Connecticut Mutual has just celebrated its 100th anniversary . . . **Gov. Raymond Baldwin** of that state was the principal speaker at the ceremony . . . **Milford A. Vieser,** assistant treasurer of Mutual Benefit, has been elected to the board of managers of the Dime Savings Institution of Newark . . . **Coleman A. Hunter,** executive vice president of the Atlantic Life in Richmond, tells us that his company now owns the first Title VI loan made in that state . . . originally made in 1941, the property has twice been sold and each purchaser has assumed this debt . . .

Frank J. Mills, cashier of the Fort Wayne National Bank and MBA regional vice president, will give two lectures at the Central States School of Banking at the University of Wisconsin July 29 to August 10. His subjects are "Analytical Techniques," which covers credit, appraisals and mortgage trends, and "The Savings Department and its Management."

C. P. Kennedy of Cincinnati and Mrs. Kennedy were in Chicago during the 99 degree heat . . . on a vacation, they said . . . Mr. Kennedy is a member of MBA's board and chairman of the **Cincinnati Chapter's** national convention committee . . . another visitor from Cincinnati: **Paul J. Vollmar,** Cincinnati MBA president, who reports plans moving well for the big convention . . . incidently, the next issue of *The Mortgage Banker,* will, we expect, tell the complete story of the meeting.

Vacations: **Frederick P. Champ,** Logan, Utah, **James W. Collins,** Salt Lake City, and **Owen Murray,** Dallas, all MBA past presidents, have been up at the famed Flatrock Club on the Snake River . . . **Secretary George H. Patterson** and family are vacationing in northern Minnesota near the Canadian border . . . **President Byron V. Kanaley** goes to Draper Hall, Oconomowoc, Wis. August 15 to be gone until Labor Day . . . and **Vice President Guy T. O. Hollyday,** Baltimore, is doing some trout fishing in Maine . . .

(Continued page 7, Col. 1)

What Is FHA's Future?

Has it outlived its usefulness? Not in the opinion of this Newark savings banker who says we will need FHA more than ever now

By W. L. MAUDE

BOLD, aggressive leadership was needed in the early and middle twenties to lift the mortgage business out of its own lethargy. This leadership was supplied by FHA. In permitting 80 per cent and 90 per cent loans and agreeing to insure the mortgage against loss in the event of foreclosure, FHA counteracted, in a single stroke, the principal obstacles to active resumption of mortgage lending.

By assuming this risk, FHA was in a position to introduce and popularize the 20-year, self-liquidating loan with constant monthly payments for interest, amortization, taxes and insurance. No one can deny that this plan represented the most constructive improvement in mortgage lending practice in many years. FHA deserves full credit and the grateful thanks of all of us for its enlightened leadership.

Praise is also due for the high standards of its appraising technique and its recognition and evaluation of neighborhood and district trends. We have all learned a great deal which has already proved, and will continue to prove, of value to our business in the years to come.

No one can question the fact that FHA has met a real need. But what about today and tomorrow—has it outlived its usefulness? Today's conditions in the mortgage lending field are a far cry from those that prevailed in 1934.

Timidity has given way to an eagerness to lend. We now vie with one another for the privilege of making a loan.

My own bank would like to transfer $25 millions from its securities portfolio into good first mortgages on dwellings. In North Jersey, alone, it is estimated that financial institutions have upwards of $300 millions available for this purpose. With funds so plentiful, we certainly do not need government financing as suggested in the Wagner-Ellender-Taft Bill.

And finally, following the lead of FHA, statutory limitations on the permissible ratio of loans to appraised values have, in New Jersey, been raised to comparable limits—at least on one, two, three and four family dwellings.

Perhaps all this is tangible evidence that FHA has served its purpose and should now retire from the field. Indeed, if these were the only factors to be considered it might be concluded that the FHA *is* no longer needed. But such is *not* the case! While improved conditions have solved the basic problems that prompted the inauguration of that agency, changing times and conditions have brought new ones that can best be resolved through the centralized control and direction of FHA. The question, then, is not whether FHA should be continued in the future (I think most of us will agree that it should be) but rather, should the scope of its activities be shifted or its policies and methods of operation modified to better meet the new needs.

The administration has already recognized the need for a shift in the scope of its activities by delegating to FHA, as part of the Civilian Production Administration, the responsibility for approving all housing projects and issuing priority orders for materials. This is a logical move and should go a long way toward meeting the critical need for a proper allocation of scarce materials and labor.

FHA Birthday

FHA has just celebrated its 12th anniversary with a record of more than $9,000,000,000 of loans insured and more than 7,000,000 American families assisted in obtaining better housing.

Commissioner Foley said FHA's home-loan insurance since June, 1934 includes approximately 5,640,000 short-term loans amounting to $2,250,000,000 for property repair and improvement under Title I and 1,500,000 long term loans for $7,050,000,000 for building and buying homes and for rental projects under Titles II and VI.

At the same time, he said, FHA is in the soundest financial condition in its history, with income at record figures and with net resources above $125,000,000. For the sixth straight year, FHA paid all its operating expenses out of income and added substantial amounts to its insurance funds.

FHA's income during 1945, derived chiefly from insurance premiums and appraisal fees, amounted to $29,850,168 while operating expenses totaled $10,538,337. This left a gain of $19,311,831 for the various insurance funds which, at the end of 1945, had net resources of $116,416,922.

Also during 1945, approximately $638,085,130 of home loans were insured under Titles I, II and VI. Of this total, $188,924,189 was under Title I, $223,105,965 was under Title II, and $271,054,976 was under Title VI.

The "mutuality" of FHA's Title II mortgage insurance is demonstrated by the fact that first dividends to mortgagors were declared in 1945. As of December 31, over $1,100,000 in dividends on loans paid in full was in process of being paid to about 35,000 borrowers. On the same date, 79 group accounts had reached a participation status with credit balances totaling approximately $16,400,000, which will be shared by some 231,000 mortgagors.

Based entirely upon my observations and discussions with architects, builders, brokers and officials of other lending institutions in the Northern New Jersey area, I would like to suggest several spetific matters that might well receive consideration by FHA officials.

The first three points relate, directly or indirectly, to the net yield that the mortgagee derives from the insured FHA loan.

First, should FHA use its influence to discourage the present practice of paying excessive premiums to brokers and builders for mortgage loans?

Lending institutions themselves are to blame for this condition but for that very reason I see little hope for a satisfactory solution as a result of any voluntary action on their part. In a recent letter addressed to 600 banks and lending institutions of his state, Elliott V. Bell, New York State Superintendent of Banks, pointed out that competition resulting from the current scarcity of mortgage investments has forced some lending institutions to pay premiums of 4 per cent or even more to bring mortgages within their control. He recommended that they take steps to abolish this undesirable practice and suggested that a reasonable scale of fees be established.

At a subsequent press conference, Mr. Bell asserted that his letter was not in the nature of a directive, but he voiced the hope that the banking institutions would give full cooperation. He also explained that the present practice creates a situation in which banks are forced to accept lower yields with the result that benefits that might normally accrue to the home-owner or mortgagor are now going elsewhere.

So you see the problem is a real one that affects both lending institutions and borrowers. By assuming leadership in this direction, FHA could undoubtedly do much to correct the situation.

Second, should FHA modify its present policy by reverting to its original pay-off provisions whereby not more than 15 per cent of the original principal could be prepaid in any 12 *month period; or, as an alternative, permit the mortgagee to charge a reasonable premium for prepayment?*

I believe it should do one or the other. Without such protection, the mortgagee suffers a financial loss if the mortgage is paid off in full at an early date—especially if a substantial premium was paid for its acquisition.

Third, in my opinion, interest rates on FHA loans should not be reduced, or the mortgage term extended beyond 20 *years.*

Either action will encourage overborrowing and tend to further inflate real estate prices.

FHA has a greater responsibility today to combat inflation than to drive down the rates at which money can be borrowed. Interest rates already are at an all-time low and they represent the *only component in the cost of a new home that is lower now than before the war.* By keeping the rate at a reasonable figure and limiting the time and amount of repayment, such financing would act as a desirable brake upon the present inflationary tendencies.

If, on the other hand, net interest rates are further reduced, we may soon reach a point where institutional lenders will be forced to divert the flow of investment capital into what may prove to be more profitable channels.

It must be remembered that the net return on mortgage investments is already too low, after due allowance is made for the costs of administration, etc.; and if allowed to go any lower, may force present mortgagees into the field of equity ownership of income properties—indeed, we already hear of some of our largest lending institutions purchasing properties and suitable land for this specific purpose. Mortgage bankers and brokers alike, should consider the situation carefully for a continuance of the present trend will in the end, undoubtedly "Kill the goose that lays the golden eggs".

Might I ask our friends of the FHA if it would not be possible to speed up activities, cut out much of the red tape and simplify loan application procedure?

(Continued on page 7)

As Materials Increase, Costs Must Fall

Home-building costs must be reduced as the flow of materials increases if the objectives of the Veterans Emergency Housing Program are to be met, FHA Commissioner Foley is convinced.

FHA will exert continuous pressure on costs and prices, Foley said, as it establishes mortgage ceilings and approves sales and rental figures for dwellings built with priorities aid.

The agency will assist builders in accelerating reduction of costs they presently are required to pay through (1) close analysis of such costs, (2) requirements for complete plans and specifications, (3) site appraisals, and (4) compliance inspections of all homes built under the Veterans Emergency Housing Program. As rapidly as an item of cost brought about by scarcities can be found unnecessary, it will be eliminated from allowance in approved sales prices.

Maximum mortgage ceilings for dwelling units financed under Title VI of the National Housing Act have been fixed for various parts of the country on a closely calculated basis. The ceilings are considered practical, Mr. Foley said, but the fact that most of them are substantially below the $10,000 maximum permitted for dwelling construction should assist in channeling construction into the modest-type homes encouraged by FHA, wherever Title VI financing is used.

Foley stressed that more emphasis must be placed on housing for rent even though high building costs at present may mean higher than normal rentals. He said every effort would be put forth by FHA to increase the ratio of rental housing, and he pointed out that there are definite investment and lending attractions in the rental field.

MBA's ANNUAL SURVEY OF MORTGAGE DEBT

U.S. Mortgage Debt Dropped Last Year But Not as Much as You Might Think; Total Loans Down 3.9% and Private Holdings Down 2.3%

By FRANK J. McCABE, JR.

THE total mortgage debt of the Unted States stood at $30,417,975,-387 on December 31, 1945, according to an annual computation made by L. E. Mahan, past president of MBA and the MBA Research Department. Although the mortgage debt continued to decline as in the past several years, the rate of decline was only 3.9% as against 8% during 1944.

Significant in the computation is the continued drop in value of mortgages held by federal agencies as against the holding of private lenders. Federal agencies held mortgages valued at $2,400,358,291 at the end of 1945 or 19.5% less than those held December 31, 1944. On the other hand, the mortgage holdings of private lenders decreased only 2.3% to $28,017,617,-096 during 1945.

The compilation shows that banks, as a class, continued to provide most of the mortgage money in the country. They hold approximately $8,900,000,000 in farm and urban mortgages or almost 30% of the value outstanding. Individuals, mortgage companies, and other lenders come next, holding $6,800,-000,000 in mortgages, or 22% of the total. Savings and loan associations owned $5,450,000,000 in mortgages at the end of 1945 or 18% of the total. Fraternal societies and associations held less than 1% of the value outstanding. Life insurance companies constitute the largest single group of institutional lenders, their mortgage portfolios totaling $6,566,000,000 or 21% of the total mortgage debt for 1945.

Federal agencies reduced their holding in urban and farm mortgages $580,356,996 during the past year. The Home Owners' Loan Corporation was alone responsible for $139,000,000 of this decline or 21.9%. The RFC Mortgage Company and the Federal National Mortgage Association liquidated almost another $100,000,000 of their holdings, chiefly Title VI Loans.

In the field of farm mortgages, the Federal Land Banks' holdings declined approximately $130,000,000 and the Federal Farm Mortgage Corporation about $109,000,000 during 1945. The Farm Security Administration reported a slight increase.

Contrary to the trend amongst federal agencies, the report shows that private institutional lenders increased their mortgage portfolios by approximately $941,-000,000 during 1945. This compares favorably with the net decline of some $82,000,000 during 1944. The savings and loan associations made the greatest gain, increasing their mortgage holdings 14.7% over the 1944 level. Fraternal societies and associations came next with a gain of 13.4%. The mortgage portfolios of commercial banks increased 9.8% while the holdings of mutual savings banks declined 2.2%. Life insurance companies just about held their own in the mortgage lending field during 1945, their portfolios declining in value only 1%.

For the third successive year, MBA has surveyed the mortgage field and attempted to set a figure showing the total mortgage debt of the country. The figures speak for themselves. The drop wasn't as sensational as many members might have expected. All the data, except in one instance, have been taken from official sources and while not guaranteed are believed by us to be accurate. That exception is the total urban and farm holdings of "others" which we estimate at $6,800,000,000 as against $8,400,000,000 at the end of 1944. This study, inaugurated by Past President Mahan and prepared each year under his supervision, is the only effort made anywhere that we know of to set a final figure representing the grand total of mortgages outstanding in this country.

In the final classification, "others", which includes mortgage companies and individuals primarily, we see the greatest decline in mortgage holdings among all private lenders. The value of mortgages held by this group declined $1,600,000,000 during 1945, exceeding by over $360,000,000 the net reduction in the mortgage debt for the country as a whole.

The continued decline in the mortgage debt is due primarily to the huge volume of partial and complete debt repayments. The home and farm owners have been using the savings accumulated during the war years from high wages and high farm income to reduce or discharge their indebtedness. The lack of an adequate supply of needed consumer goods has, of course, affected the use to which accumulated savings have been put.

The individual investor, on the other hand, is accepting the principal on their loans as they become due without reinvesting their money in this type of investment. There are several direct causes contributing to this trend. FHA insured loans do not reach the individual investor; the long term level payment loan adapts itself more properly to institutional investment; and likewise, the individual investor has not become accustomed to the prevailing low interest rates. He also fears the inflated values of real estate due to the effects of war and the acute housing shortage situation. He went through the last depression and knows only too well the suddenness with which inflated values can deflate.

The following significant and definite trends are shown in the tabulation:

1. Although the mortgage debt is continuing to decline, the rate of reduction is slowing materially, indicating the possibility of an increase at the end of 1946 or 1947.

Total Mortgage Debt of the United States

	As of Dec. 31, 1944	As of Dec. 31, 1945	Increase or Decrease
Urban Mortgages of Federal Agencies			
Home Owners' Loan Corporation	$ 1,091,000,000	$ 852,000,000(h)	—21.9%
RFC Mortgage Company	101,287,883	38,493,094(b)	—61.9%
Federal National Mortgage Association	52,535,404	7,442,129(b)	—87.7%
Farm Mortgages of Federal Agencies			
Federal Land Banks	$ 1,209,646,000	$ 1,079,009,846(f)	—10.7%
Federal Farm Mortgage Corporation	347,310,000	239,378,443(f)	—31.0%
Farm Security Administration	178,936,000	184,034,779(f)	+ 2.8%
TOTAL FOR FEDERAL AGENCIES	**$ 2,980,715,287**	**$ 2,400,358,291**	**—19.5%**
Urban and Farm Mortgages of Private Agencies and Others			
Life Insurance Companies	$ 6,683,000,000	$ 6,566,000,000(e)	— 1.0%
Savings and Loan Associations	4,750,000,000	5,450,000,000(g)	+14.7%
Mutual Savings Banks	4,297,809,679	4,202,095,459(c)	— 2.2%
Commercial Banks	4,344,151,000	4,770,232,000(i)	+ 9.8%
Fraternal Societies & Associations	201,174,731	229,289,637(d)	+13.4%
Others (Mortgage Companies, Individuals, etc.)	8,400,000,000	6,800,000,000(a)	—19.0%
TOTAL FOR PRIVATE HOLDINGS	**$ 28,676,135,410**	**$ 28,017,617,096**	**— 2.3%**
TOTAL URBAN AND FARM DEBT	**$ 31,656,850,697**	**$ 30,417,975,387**	**— 3.9%**

(a) Estimated
(b) RFC Mortgage Company, Washington, D. C.
(c) National Association of Mutual Savings Banks
(d) The Fraternal Monitor, Rochester, N. Y.
(e) Institute of Life Insurance, N. Y.
(f) U.S. Dept. of Agriculture, Bureau of Agricultural Economics
(g) Estimated from Federal Loan Bank Review Figures
(h) Survey of Current Business, April 1946
(i) Comptroller of the Currency

2. Mortgage holdings are drifting out of the portfolios of federal agencies and individual investors into the hands of private institutional lenders.

3. The accumulated savings and funds of individual investors constitutes a huge potential market for mortgage loans.

All of which shows a relatively good picture for the mortgage banker.

FRED EBERLE SEES VALUES FLUCTUATE MORE WIDELY

Due to the complex nature of our economic structure, it is very possible that future real estate values will fluctuate more widely than ever before, predicts Frederick J. Eberle, vice-president in charge of mortgage loans of the Connecticut Mutual Life Insurance Co.

In addressing a group of mortgage loan correspondents of the company, Eberle said, "It is comparatively easy to forget some of the lessons learned in the past but we must keep in mind the real estate cycle with its booms and depressions, which I feel will continue as in the past. In fact, with the complex nature of our economic structure, it is very possible that these ups and downs in the cycle will be more extreme and violent. Mortgage lending during this present period requires courage with understanding and conservatism together with a willingness to take reasonable risks. This is a time of great uncertainty and requires rather thorough analysis and study of the possible hazards which may, if ignored, lead to future problems and difficulties."

Discussing the hazard in loans on retail business properties when new construction gets underway, Eberle said, "Today with easy credit available many new retail businesses are starting in operation. With the great demand for consumers' goods, competition in the retail merchandising field is of little consequence in determining the reasons for success of these operations. However, the time will come when competition will play a large part in causing the failure of marginal or inefficient retail merchants. When that time arrives there will be a day of reckoning for investors in low grade business real estate."

The MORTGAGE BANKER

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MORTGAGE BANKERS ASSOCIATION OF AMERICA

BYRON V. KANALEY *President* · GUY T. O. HOLLYDAY *Vice President* · GEORGE H. PATTERSON *Secretary-Treasurer* · G. H. KNOTT *Editor*

AUGUST, 1946

(*Continued from page* 2)

This reporter remembers a hilarious moment at an MBA board meeting not long ago when **S. M. Waters**, then farm loan committee chairman, in reporting on the discussion and developments within the National Farm Credit Committee, brought up the subject of the "cadaster." He told board members what it was and how one economist had told the committee members how it would fit into our farm credit scheme. That was some time ago and we had just about forgotten about cadasters until the other day when we read that U. S. taxpayers have a cadastral engineer working for them . . . and in case you don't know any more about these things than MBA board members did, a cadastral engineer "surveys property for extent, valuation and ownership" . . . or something like that. And you probably don't know what a olericulturist, psychometrician, mycologist, symologist or nematologist are either . . . and neither do we but they're all working for Uncle Sam . . .

Republic Realty Mortgage Corp. has added three to its Chicago staff. Two are veterans training under the GI program, **Timothy S. Buckley** and **James E. Mead, Jr.** The third member is **Richard E. Roseen.**

Investors Syndicate elected **James R. Ridgway** vice president in charge of mortgage activities, Earl E. Crabb, chairman of the board, announced.

Mr. Ridgway, former assistant vice president of Investors Syndicate, succeeds **D. E. Ryan** who has been a vice president since 1940 and a member of the mortgage department since 1928. Mr. Ryan resigned as an officer of the Company to move to Los Angeles where he will be in charge of mortgage activities for the Company on the West Coast.

Oak Forest is a $32,026,000 housing project containing 4780 new homes for Houston veterans, financed by an MBA member firm.

American General Investment Corporation and financial institutions associated with it will handle the permanent financing of approximately $32,026,000 in Oak Forest, $1,530,000 in Davy Crockett addition and $2,800,000 in Industrial addition, **R. D. (Buck) Walton,** vice president, announced.

"We are proud to be associated in this development program," Mr. Walton said. "It is easily the largest single project of its kind ever undertaken in the United States by private interests with private financing. It proves that private initiative is capable of housing the veteran and others who desperately need homes. Houston is showing the rest of the nation how to get the job done."

FHA OUTLIVED USEFULNESS?

(*Continued from page* 4)

An affirmative answer to this question would be a real boon to both mortgagors and mortgagees.

My other observations relate to what I believe to be FHA's most important responsibility now and in the immediate future—namely to prevent run-away inflation of real estate prices and to protect the returned GIs against unwise purchases.

First, the present procedure by which GI applications are approved hinges on the value placed upon the property by an appraiser approved by the VA.

Based upon my observations in New Jersey, all too frequently that appraised value coincides with the selling price and does *not* reflect what we believe to be a sound present-day value. True, unless that were so, the loan might not be granted, but it is my belief that if the inflationary tendencies continue we will be doing the GI a dis-service by permitting him to buy property at prices that are out of line with real values.

What will be the attitude of the GI and of some hundreds of thousands of his buddies, five years or so hence, if the then unpaid balance of a mortgage is still in excess of the figure at which it might be possible to purchase a new, improved and modernized home? To avoid that possibility, I believe that it would be far better to have the appraisal on all GI applications made by, or under the direction of the FHA's own appraisers following the sound and tested methods that agency has developed.

Second, if the preceding point is accepted as sound, it naturally follows that fewer veterans will be able to purchase homes so long as real estate prices remain out of line with real values.

To meet this condition, the FHA should place even more emphasis than at present contemplated on the building of homes for rental purposes—particularly multi-family units of the garden apartment type. This would permit veterans to rent now and buy later in a more stable market.

Third, my final point may seem a contradiction to those I have already made, but it seems to me the present regulations are unnecessarily hard on the veterans who are able to afford a dwelling better than the current ceiling will permit. Why should we discriminate against the veteran financially capable of supporting a $15,000 or $20,000 house? Does not he, too, deserve well of his country?

These, in brief, are the "grass root opinions" of a savings banker. While I, of course, am interested in building up a larger and better mortgage portfolio for my bank, I feel that institutions such as mine have a great responsibility to use influence and leadership in maintaining a sound financial economy for the benefit of our depositors, our mortgagors, our communities, and the country as a whole.

Socialized Housing Isn't Wanted in Iowa Iowa MBA Member Tells Reasons Why

By FRED QUINER
writing in Iowa MBA's Mortgage News

The next session of the Iowa legislature will be confronted with an insistent and well-organized effort to force passage of an enabling act to permit the operation in this State of the U. S. Housing Authority now called the Federal Housing Authority—this change of name is probably intended to suggest to the uninformed that the organization is the same as FHA which is recognized by everyone for the outstanding job it has done in the home construction and improvement field.

Before yielding to this pressure our legislature should consider carefully not only the claim made for the U. S. Housing Authority but the experience of States in which it operates, who is behind it in Iowa and why. The enabling act is not a stranger to our Legislature. Several times in former sessions the bill has been considered and defeated. Iowa is one of only eight states which still forbid the establishment of national socialist housing within its borders.

The friends of the USHA make these claims for it: 1. We are paying taxes to finance USHA and are not getting any return; 2. USHA will produce houses that are desperately needed by our people; 3. USHA will supply homes quickly at low cost for veterans; 4. USHA will remove the slums from our cities; and 5. USHA will furnish good homes at low rents to people of low income. And last, by suggestion and inference, the leaders of this movement claim that free enterprise in America is a failure and should be replaced by socialism in housing first, and after that—who knows.

These claims are almost entirely false, as has been learned by the States which now have socialistic housing. The claim that we pay the taxes anyway is true. The benefits claimed simply do not exist because there is no accomplishment of USHA that cannot be produced as well and quicker and cheaper through private enterprise. To build houses takes sufficient supplies of material and labor—and they are now being constructed privately as fast as material can be produced. There is no magic formula in the hands of a socialist bureau which would enable it to produce houses without the same supply of material and labor necessary for private construction. For this same reason, homes for veterans cannot be produced by government any faster than the private builders will put them up. Nor will the cost be any less under government construction. The only way government can furnish houses to veterans cheaper than private builders can is to collect part of the cost from someone else.

Now, who is promoting this plan? There is a sinister force moving in the background in this country, a group of people whose ideal of government is Communism. To this group the present distress due to housing shortage is a golden opportunity to win support for their views. They can promise relief to people unable to find homes; promise anything, especially to groups of people who are organized. Veterans organizations, womens' clubs, and labor organizations are especially attractive to the communist worker. In these organizations he can reach people who are having housing trouble. And there is where he plans to produce pressure on our legislature. He also will try to get access to public opinion by connection with newspapers and radio broadcasts.

It is private enterprise that has built everything we have in America. The labor and guidance of men of vision has produced the high standard of living we enjoy. There is nothing in the world for which we should exchange our American Way of life. The American system of private business will produce all the houses we can use.

CHICAGO G.I. COMMITTEE RENDERS REAL SERVICE

The G.I. Loan Committee of the Chicago MBA has taken its cue from the Chapter's Appraisal Committee and begun to issue periodical bulletins reporting its activities. In the initial report the Committee tells members just who in the local VA office they should call on regarding questions of policy, appraisals and new construction, eligibility of loan and veteran, to locate a case file or to order forms.

As an example of the service this group is rendering the Chapter members the initial report advises that:

Recently several cases have come to light where an office stamp has been applied to the face of the discharge certificate. Mortgagees should not deface a veteran's discharge certificate in any way.

Pictures should accompany each application whether the lender is supervised or unsupervised. If the picture is taken by the mortgagee and not the appraiser, certification of address should be on back of picture.

In applying for prior approval it is not necessary to indicate an earmarked or escrowed account but, on final closing statement, any funds withheld from complete disbursement must be escrowed if they are in excess of 10 per cent.

HOPES FHA IS RESTORED TO ITS FORMER POSITION

In a resolution commending the administration of FHA Commissioner Raymond Foley, members of the Southern California MBA gave their assurance of their "sincere desire to support all future efforts to restore FHA to the important position it formerly held in providing sound financing to make possible the creation of homes so desperately needed by our veterans and other worthy citizens."

In the absence of President T. S. Burnett, Carl F. Burrell presided at the special meeting held in the University Club to entertain FHA officials attending the Western Regional Conference. Mr. Foley was the only speaker.